

SPOKEN STATEMENT

**THE HONORABLE J. BRIAN ATWOOD
ADMINISTRATOR
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS**

**WASHINGTON, D.C.
FEBRUARY 3, 1994**

- Testified before Committee on May 12, 1993. Committed myself that day to undertake a major reform of AID.

- That reform program is well underway:
 - In my first nine months as Administrator, we have announced terminations of 21 overseas missions. In some cases we have done this because countries no longer require concessional assistance; in others because the recipients have proven to be poor development partners.

We have also:

- Embarked on an agency-wide "rightsizing" effort that will simplify and streamline the agency. I have made painful personnel decisions that affect particularly AID's senior ranks.

While not aimed at reducing personnel, per se, we expect to reduce overall AID staff levels by 5.5 percent in the first two years of the Clinton Administration. We have reorganized USAID Headquarters by eliminating redundant layers of bureaucracy and by combining organizational units to make the organization more responsive to direction.

- Introduced a systemic reform of USAID's grant and contract mechanisms to make them more transparent, efficient and responsive.
- Established AID as a reinvention lab in Vice President Gore's Reinvention of Government Program, including creation of an Agency-wide Quality Council to involve all employees in the process of revitalizing USAID.
- Strengthened interaction at the most senior levels of USAID and the State Department to improve and speed decision-making and encourage cooperation at all levels.
- Established a systematic program of consultations with outside groups representing all segments of American society to help us reinvent USAID and to carry out our mission. These outside groups represent business, labor and private voluntary organizations, among others.
- Issued detailed strategy papers for our program managers on how to achieve sustainable development.

- Through these reforms, we hope to create a national development agency that will:

- Be more capable of achieving, measuring and reporting results.
- Engage in effective strategic planning at both the global and country level.
- Approach development work by focussing on a small set of interrelated goals and apply resources and methods that fit the specific situation we find in-country -- the resources and methods that are the most likely to help us meet each of our four goals.
- Coordinate more effectively with other U.S. Government agencies and other donors to implement our strategic plans.
- Place a premium on the participation of people in the development process, as the primary way to achieve sustainability.
- Work more effectively in transition situations to help the international community fill the gap between conflict resolution and long-term development (OTI).

-- Mr. Chairman, after nine months, we are well on our way to creating the organizational structures and the systems we will need to create such an agency. But we lack one essential ingredient: a new partnership with Congress.

-- The legislation before you is absolutely essential if we are to complete the reform of our foreign assistance programs. I believe the bill reflects a bipartisan consensus in favor of reform, a consensus reflected earlier in the Hamilton-Gilman Report and in the bill submitted by the Bush Administration.

-- It is a charter, valid not just for today's contingencies, but for a future that is going to underscore even more vividly the threats to our national interests.

-- The bill is a broad framework wherein this Administration and future Administrations alike should be able to pursue their specific policies.

- It reflects the recommendations of the National Performance Review by emphasizing results as opposed to resource "inputs." In other words, we will be asking ourselves at the end of each year, what did we achieve? Not how much did we spend.
- The broad accounts of this bill will force both the Executive Branch and the Congress to think more strategically. It will mandate better coordination by its very structure. For example, under Title I -- Sustainable Development -- we will have to weigh the resource implications of pursuing a global objective such as environmental security through bilateral or multilateral programs.
- Finally, Mr. Chairman, I believe this legislation will enable all of us to make an effective use to the American people.
- We are pursuing goals with our foreign assistance programs that relate directly to our domestic interests:
 - It helps us become more competitive economically by expanding markets and promoting U.S. exports.
 - It helps us achieve environmental security against such threats as global warming.
 - It helps us counter terrorism and narcotics and international crime.
 - It helps us battle diseases that know no borders such as polio and AIDS.
- Mr. Chairman, look at this 1961, flop-eared statute:
 - It has made Executive Branch lawyers as important as policymakers.

-- It has seriously complicated Congress' oversight role.

- It has often rendered the remaining superpower incapable of rapid response.
- It has forced us to think sequentially rather than strategically.
- And it has convinced too many of our people for too long that our foreign aid program is international welfare that serves interests other than our own.
- We will fix this if we seize the moment. You saw the need in 1989. It is even more acute today. I hope that today's hearing will begin a bipartisan process that will produce a statute that will serve the Executive, the Congress and the American people for years to come.

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I. INTRODUCTION

Thank you, Mr. Chairman. It is a pleasure to appear before the Committee today. I am particularly happy to be here with my old friend and colleague, Under Secretary Dick Moose.

Our joint testimony reflects Secretary Christopher's active leadership in coordinating foreign

assistance reform within the executive branch.

The comprehensive reform bill submitted earlier this week by the Secretary on behalf of the President, the Peace, Prosperity and Democracy Act of 1994, establishes a totally new framework to advance U.S. national interests in the post-Cold War era. It reflects a bipartisan consensus that our international programs can and must serve both our domestic interests and our commitment to a more democratic, prosperous and stable international community.

The bill represents the results of a year-long comprehensive analysis of U.S. international programs to determine whether they continue to meet our national needs. We have endeavored in this process to consult openly and thoroughly with as many members of Congress and outside groups as possible.

As I committed myself to do the last time I testified before this Committee, I have tried to reform our foreign assistance programs from within to the fullest extent possible. Later in my testimony I will describe some of the concrete results of those efforts. While I believe we have made a good start, internal reform can only go so far. More comprehensive changes are difficult until the basic law is amended. What is needed now is a joint congressional-executive, bipartisan effort for foreign aid reform.

I am fully aware, Mr. Chairman, that the effort to reform foreign aid legislation dates back at least five years, to the seminal study by this Committee, known as the "Hamilton-Gilman" report of 1989. Since then, you and your Senate colleagues have reported, and passed on both the House and Senate floor, significant reform legislation. Although not enacted at the time, much of that work has been incorporated in the Administration's proposed bill. We now want to build on your past bipartisan reform efforts to help enact reform legislation this year.

The Foreign Assistance Act has been the charter legislation for America's International Assistance Programs since 1961. It was originally designed to meet the threat of communism, to address the legacy of colonialism and to support development worldwide. The 1961 Act served our needs for over three decades, even though it was amended repeatedly, with new mandates often added without deleting old priorities.

But as this Committee's 1989 study so fully documented, with its compendium of the 33 statutory objectives and 75 priorities that USAID must apply in allocating funds (and that number has grown since 1989), the Foreign Assistance Act now deserves its place in history.

That conclusion was clear even before the end of the Cold War. The need for new charter legislation, a priority in 1989, is now an imperative.

Mr. Chairman, as you also know, this new bill is, in large part, a direct result of a meeting last September in which you, Speaker Foley and other members of the Congressional leadership told the Secretary and the National Security Advisor, and other members of the Administration, that the Congress was not prepared to accept business as usual as defined by the existing Foreign Assistance Act. We heard you, and the President heard you.

Since that meeting, we have engaged in an unprecedented series of bipartisan staff consultations based on a discussion draft of the bill that we sent to the Congress in November. We have also held numerous sessions with interested outside groups. Many of the suggestions and recommendations that came out of those consultations have been incorporated in the final version of the Administration's bill. It is a better product as a result.

Mr. Chairman, President Clinton is strongly committed to working with you in a bipartisan effort, this year, to finally achieve the elusive goal of foreign assistance reform.

II. KEY FEATURES OF THE NEW BILL

Just as the 1961 Act responded to the threats of its era, the new bill identifies the international challenges of the post-Cold War world, and provides us the means to respond.

Foreign policy must be founded on coherent organizing principles. This bill embodies such principles and provides the authority for the executive branch to implement them forcefully. It provides a new and more relevant framework for American foreign policy and foreign assistance programs, one based on a policy of preventive diplomacy.

Thus, the bill would give us the means to anticipate threats, and deal with them before they become intractable.

It would enable us to take action today to increase the choices available to American diplomacy in the future.

It addresses problems such as terrorism, narcotics trafficking, aiding the emerging democracies of the former Soviet bloc, addressing ethnic conflict, responding to excessive population growth, environmental degradation, nuclear proliferation and other transnational problems whose scope is much greater than could have been imagined thirty years ago and which demand the most sophisticated response we can mount.

Before turning to the rest of my testimony, let me briefly summarize the key features of the bill:

1. It authorizes both long and short-term economic and security programs; trade and investment activities, and new authority to respond to crisis situations. Programs not authorized in the bill are referred to in terms of how they contribute to the bill's overarching goals.

2. It repeals the Foreign Assistance Act of 1961, as amended, and parts of the Arms Export Control Act, and related legislation. It also repeals the legislation that created the International Development Cooperation Agency in 1979.

3. The bill is structured by major foreign policy objectives. It gives us clearly identifiable goals and requires us to produce results. Instead of authorizing numerous, discrete and sometimes unconnected programs, the bill authorizes activities to achieve interrelated goals such as sustainable development, promoting peace or promoting prosperity through trade and investment.

4. The bill is a permanent charter rather than an annual authorization of appropriations. It is intended to be free standing, permanent law that authorizes programs for which funds would be authorized in separate authorization bills.

In describing the new bill, I want to focus on the following:

- How the new bill addresses post-Cold War needs.
- The long-term challenges of sustainable development.
- Meeting immediate needs: crises and humanitarian assistance.
- The importance of coordination and leveraging, and, finally,
- How we will manage USAID to achieve results.

Under Secretary Moose has discussed the relationship of the new bill to our broader foreign

policy objectives; the relationship between diplomacy and the programs authorized by the bill; security assistance, and programs designed to advance our economic interests through trade and investment.

III. MEETING POST COLD-WAR NEEDS

President Clinton has defined three areas of enduring, vital U.S. interests: national security, economic revitalization, and the promotion of democracy.

The collapse of communism has changed our understanding of our national security. Instead of an overwhelmingly military threat, we now face a broader range of international problems including those arising from local and regional conflicts, political chaos, economic deterioration or collapse, and environmental degradation.

This bill is a charter designed to meet these challenges well into the next century. Its goals are the best ways to project the U.S. national interest: promoting sustainable development; building democracy; promoting peace; providing humanitarian assistance and promoting prosperity through trade and investment. A sixth goal, advancing diplomacy, identifies how our diplomatic efforts can be used to achieve each of these objectives.

A distinctive feature of the new bill is that it contains reference to the various departments and agencies within the executive branch that carry out foreign assistance programs under the 150 account. These references are intended to demonstrate that the congressionally mandated programs of these departments and agencies will be carried out in a manner consistent with the new goals articulated in the reform legislation.

I want to concentrate my remarks today on how the bill allows us to achieve results in the following four titles: sustainable development, building democracy, providing humanitarian assistance

and promoting growth through trade and investment. These areas are the ones in which USAID will be most actively involved. USAID will also help to achieve the two remaining goals (promoting peace and advancing diplomacy). My colleague, Mr. Moose, has described how all of the authorities in the bill will work towards achieving our fundamental foreign policy interests.

IV. THE LONG TERM CHALLENGE OF SUSTAINABLE DEVELOPMENT

The Clinton Administration has identified sustainable development as the cornerstone of its development assistance efforts and also as a key element of its foreign policy. It is the first title of the new bill, in part, because it forms a philosophical base for the entire bill.

Promoting sustainable development is vital to the United States. By the year 2000, 4 out of 5 people in the world will live in developing countries. Our interests and our markets will be shaped by events in those countries. The quality of life in developing nations will increasingly come to define our own quality of life -- politically, economically, socially. Without sustained development, national and regional economic, political and security problems proliferate; and because overpopulation and environmental destruction threaten to undercut the best efforts of nations to build peace and prosperity.

Sustainable development signifies broad-based, economic growth which protects the environment, enhances human capabilities, upholds democratic values, and improves the quality of life for the current generation while preserving that opportunity for future generations. The ultimate measure of success of development cooperation programs is the enhanced ability of developing countries to overcome the obstacles to self-sustaining development. Sustainable development programs pursue this objective by supporting the self-help efforts of developing countries to implement sound policies, invest in their people, and build effective and accountable indigenous political, economic and social institutions.

Title I of the bill contains four inter-dependent objectives on which our bilateral assistance

efforts should focus in pursuit of sustainable development.

1. ENCOURAGING BROAD-BASED ECONOMIC GROWTH

Broad-based economic growth signifies equitable and inclusive economic expansion in developing countries. Such growth is in the economic, political, and strategic interests of the United States because it creates markets and reduces the threat of global problems such as population growth and environmental degradation. Economic progress also improves the prospects for the spread of democracy and political values supportive of United States interests. Economic stagnation or narrowly-based economic growth may fuel political instability and threaten international security and cooperation.

Broadly-based, sustainable, participatory growth requires: investment in people, particularly poor men and women, in the form of health, child survival, education, and other critical social services and systems improvements; an enhanced role for markets through improved macroeconomic policies and other appropriate policy reforms, stronger institutions, and sound public investments; enhanced food security and sustainable improvement in agriculture; and measures to ensure that the poor have access to productive resources and fully participate in the benefits of growth in employment and incomes.

2. REDUCING EXCESSIVE POPULATION GROWTH RATES

Excessive population growth aggravates poor health conditions, perpetuates poverty, and inhibits saving and investment, particularly investments in people in the form of basic health and education services. Continued growth in world population rates will undercut sustainable development efforts. Unsustainable population growth is directly linked to degradation of the natural resources base and the environment and contributes to economic stagnation and political instability, and retards progress on global issues of direct concern to the United States.

Our primary objective is to help reduce excessive population growth to rates that are consistent with sustainable, broadly-based development. This calls for a focus on enhanced access to quality family planning services and reproductive health care, increasing infant and child survival rates, improving female literacy and education, and raising the economic and social status of women.

3. PROTECTING THE GLOBAL ENVIRONMENT

The economic and social well-being and the security of the United States depend critically on the global environment and physical resource base. Patterns of consumption, systems of industrial and agricultural production, and use of natural resources directly affect the sustainability of long-term development and the environment. Development that does not take account of its environmental consequences will not be sustainable. The poor not only suffer disproportionately from the consequences of environmental degradation, but also contribute to that degradation as they struggle to meet their own basic needs.

Sustainable development programs authorized by this bill should address the root causes of environmental harm, promote environmentally-sound patterns of growth and support improved management of the environment and natural resources. These activities include efforts to address urgent global environmental challenges, including the loss of biological diversity and global climate change, as well as efforts to address significant environmental problems within countries and regions. Such efforts seek to promote sound environmental policies and practices which simultaneously enhance long-term economic growth.

4. SUPPORTING DEMOCRATIC PARTICIPATION

It is in the national interest of the United States and in keeping with our democratic traditions to support democratic aspirations and values, foster the spread of enduring democratic institutions, and

encourage universal respect for civil and human rights. The establishment of local governance, civil society, and democratic institutions is an essential element of the ability of nations to sustain development efforts.

Sustainable development programs must help to build and strengthen organizations and institutions that foster participation in economic and political decision-making at the local and national levels. Such programs should help promote respect for human rights and the rule of law; the ability of all citizens to choose freely their government and to hold that government accountable for its actions; efforts which advance legal, social and economic equality; respect for the rights of women and minorities; and principles of tolerance among and within religious and ethnic groups.

In addition to pursuing these four objectives, Title I of the bill recognizes that sustainable development will only be achieved if programs incorporate several cross-cutting principles:

Popular Participation: Sustainable development depends for its success on the empowerment of people to make political and economic decisions. The more potential beneficiaries are actively involved in the planning and implementation of development programs, and the greater their stake in the outcome of those programs, the more likely it is that the programs will succeed.

Role of Women: The expansion of women's opportunities is essential to reduce poverty, lower population growth, and bring about effective and sustainable development. Women must be involved as agents, as well as beneficiaries, of change in all aspects of the development process. Women, therefore, should be integrally involved in policies, programs, and projects undertaken to achieve the objectives and purposes of the proposed legislation.

Non-Governmental Organizations: For development to be broad-based and sustainable it must engage non-governmental organizations, including private voluntary organizations,

universities, cooperatives and credit unions, labor unions, women's groups and indigenous local organizations in the policy and program process, including regular involvement of such groups in the formulation of USAID's development strategies for countries and sectors.

Finally, programs undertaken to achieve sustainable development in all sectors must recognize the importance of education and training, including the involvement of institutions of higher education.

In addition to sustainable development programs focused on the four objectives I have just discussed, Title I of the bill also contains a section entitled the "Development Fund for Africa", which describes the unique development challenges facing that continent. The bill does not contain a separate authorization for Africa, but our annual Congressional presentation documents will show that we continue to assign high priority to that area. Title I also includes a separate authorization for microenterprise credit programs and other credit programs and describes the important partnership relationship USAID must have with U.S. colleges and universities, private voluntary organizations, cooperatives and credit unions, and labor unions if it is to achieve its sustainable development objectives.

V. URGENT NEEDS: BUILDING DEMOCRACY (TITLE II) AND PROVIDING HUMANITARIAN ASSISTANCE (TITLE IV)

Up to now, I have focused my remarks on the principles inherent to sustainable development in Title I of the bill. Titles II and IV contain authorities related to Title I, but which will generally be applied in circumstances where sustainable development is not the immediate objective being sought.

A. PROMOTING DEMOCRACY

Title II (building democracy) contains authority, among other things, to strengthen civil society

where countries or areas are emerging from situations such as anarchy or civil strife. This new authority is contained in Subchapter A of Chapter 1 of Title II, called Countries in Transition. It would allow the President or the Secretary to respond rapidly to unstable situations where short-term assistance may mean the difference between a country or region falling back into chaos or moving into a state of sustainable development. Subchapter A of Chapter 1 of Title II would authorize assistance to (1) address political, economic and humanitarian needs that arise in connection with transitions, or that if unmet undermine or threaten democratic institutions, and (2) to help meet security challenges on a transitional basis that threaten to impede or reverse democratic reforms or institutions.

Our ability to respond rapidly in time of crisis is more crucial than ever. In places like Somalia, Liberia, and Angola, "development" no longer has meaning. The term denotes progress and modernization, but by any meaningful standard, these nations are no longer "developing". In these countries, by stages, conflicts have become intractable, irreconcilable. They feed on themselves, consuming the sense of nationhood and the institutions of national unity and conflict resolution. At each stage, as chaos grows greater, the cost of reconstruction becomes geometrically larger.

We need to be able to answer urgent requirements in these societies that are not addressed by traditional disaster relief, conventionally managed development programs, or international peacekeeping operations. USAID must become more relevant to the U.S. policy agenda in urgent, transitional situations by having the ability to provide assistance to address political, economic and humanitarian needs.

In addition to authority for these new crises situations, Subchapters B and C of Chapter I of Title II will continue to authorize assistance for the Independent States of the Former Soviet Union and for Central and Eastern Europe, respectively. These authorities are basically continuations of existing law (the Freedom Support Act and the Support for Eastern European Democracy Act (SEED)).

B. HUMANITARIAN ASSISTANCE

Title IV (providing humanitarian assistance) authorizes programs to respond to the victims of manmade and natural disasters. The bill reflects the humanitarian impulses of the American people to relieve human suffering through direct disaster relief or by providing assistance on behalf of refugees and other victims of forced migrations.

VI. PROMOTING GROWTH THROUGH TRADE AND INVESTMENT

The Administration is committed to an agenda of economic renewal.

Title V of the bill authorizes programs to establish or maintain markets for American goods and services, creating new jobs and enhancing prosperity at home. These programs are designed to complement sustainable development efforts to create viable markets for U.S. Exports.

VII. COORDINATION AND LEVERAGING

The bill recognizes the Secretary of State's paramount role in coordinating all overseas programs, including coordination within the executive branch of budget and foreign policy issues. The new bill does not alter this traditional role.

The bill also recognizes that we need to leverage our scarce resources by convincing others to work with us. We must seek and secure international cooperation in our efforts. The bill therefore notes the importance of working in concert with other bilateral donors and multilateral organizations.

Similarly, while the bill does not establish a statutory executive branch coordination mechanism to replace the Development Coordination Committee, the thrust of the new bill is to achieve a new

philosophy whereby all the programs authorized by Congress focus on common national goals. This will reinforce this Administration's already strong commitment to the internal coordination of programs and resources.

VIII. SETTING PRIORITIES AND MANAGING AID FOR RESULTS

Finally, Mr. Chairman, I want to talk about results: how will we measure results of programs authorized by the new bill, and what are the results of our efforts to revitalize USAID.

The proposed bill recognizes that outside assistance cannot substitute for a developing country's own efforts to improve the lives of its people. The United States should only provide assistance which yields enduring results in terms of improving the lives of its intended beneficiaries and contributing to the interests of the American people.

Sustainable development programs under the proposed new bill will be concentrated in countries that have the greatest need for such programs, that make the most effective use of such programs, and that have a commitment to achieving clear development objectives. Our assessment of need will be based on criteria drawn from the four components of sustainable development -- such as fertility rates, child survival, depletion of natural resources, environmental threats to human health, poverty levels and other socio-economic indicators -- and will be assessed in light of USAID's comparative ability to address those needs. Our criteria include an enabling environment in which truly free market economies emerge; in which government decision-making is transparent; government institutions are accountable to the public; an independent and honest judiciary is maintained; authority is decentralized; local government bodies are democratically elected; and political parties, non-governmental organizations, and the media operate without undue constraints.

Under the terms of the bill, USAID will assess the commitment and progress of countries in

moving toward commonly agreed development objectives. We will establish open and transparent systems to monitor the results of assistance by sharpening our own capacity to measure results as defined by the agency's new strategy and implementation guidelines, and by sharing fully our objectives, criteria and data with host country governments, as well as local and U.S. NGOs and PVOs with whom we work. We will be prepared to make the tough choices necessary to shift scarce resources from unproductive programs, sectors or countries to those which have demonstrated the commitment and ability to use them effectively.

In terms of management and organization, I realize that unless USAID is effectively managed, no amount of resources or reform legislation will lead to the kind of measurable, concrete results we all want.

I know we are asking for increased flexibility by requesting authorizations for broad national objectives instead of specific programs; and that this is of concern to many in Congress who believe that in return for this flexibility, Congress must be able to hold us accountable for results.

This is what I mean by results:

- In my first nine months as Administrator, we have announced terminations of 21 overseas missions. In some cases we have done this because countries no longer require concessional assistance; in others because the recipients have proven to be poor development partners.

We have also:

- Embarked on an agency-wide "rightsizing" effort that will simplify and streamline the agency. I have made painful personnel decisions that affect particularly AID's senior

ranks. While not aimed at reducing personnel, per se, we expect to reduce overall AID staff levels by 5.5 percent in the first two years of the Clinton Administration. We have reorganized USAID Headquarters by eliminating redundant layers of bureaucracy and by combining organizational units to make the organization more responsive to direction.

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- Strengthened interaction at the most senior levels of USAID and the State Department to improve and speed decision-making and encourage cooperation at all levels.
- Established a systematic program of consultations with outside groups representing all segments of American society to help us reinvent USAID and to carry out our mission. These outside groups represent business, labor and private voluntary organizations, among others.
- Issued detailed strategy papers for our program managers on how to achieve sustainable development.

What I am suggesting, by dwelling on these administrative reforms, is that I will need your help to manage USAID for results. We need a new partnership with the Congress to reach our goals: if you give us the legislative tools, we will deliver measurable results towards our overall objectives.

I know that means more work for both of us -- more and better advance consultations. But only if we enter into this partnership will we be able to reach the objectives all of us share.

IX. CONCLUSION

In conclusion, Mr. Chairman, there is wide agreement that the organic legislation under which our assistance programs operate is long overdue for a major overhaul. The end of the Cold War enables us to focus, in a way not heretofore possible, on results -- results achieved in partnerships with nations that truly care about the development of their societies and the participation of their people. It is long past time to rewrite the charter that authorizes our foreign assistance programs. It is time not only for a new legislative beginning, it is time now for the executive and legislative branches to agree on a new set of organizing principles for our foreign policy. We look forward to working with you in the weeks and months ahead to help fashion a new charter for overseas cooperation programs that truly reflect the interests of the American people.

I look forward to your questions.